

Scenario Matrix - Regional Tensions

Scenarios	Regional Tensions
Drivers	
World Economy and Market Environment	Slow growth in global economy with periodic instability; several large somewhat equal regional markets; multinationals forced to adopt regional structures; turbulent labor markets with overall unemployment decreasing from very high levels, moderate to high inflation resulting from declining trade and deficit spending; heavy trade barriers between regions; markets optimized for intra-regional relationships; have and have nots in all regions; little or no incentive for global harmonization; US lags in growth and competitiveness; globally, cost of capital high; little research & development except in military; risks are high.
International Trade Environment	Lethargic international trade environment; World Trade Organization is gone; trade agreements few and bi-regional; lots of trade barriers (tariff and non-tariff); tight controls on regional military-critical technologies; highly politicized air rights agreements; no incentive to continue off sets.
Political Instability	Four antagonistic regional powers - North America, Europe, Japan/ Russia/India, and China that emerged from prolonged period of economic, political and military conflict; significant instability lingers in Southeast Asia; shared tensions over resources and concerns over sea lane security; China and US narrowly averted military conflict and are still at odds.
U. S. Military Requirements	Need for long-range force projection but no reliable overseas basing; Navy plays major role; growing DOD budget with classic missions, combined with new military needs including space defense and surveillance; no war at moment despite high tensions.
Global Distribution of Power & Technology	Regionalized; no dominant super-region; power fairly equally distributed among and within regions; not a globally wired-world; nets are regional; US retains technological edge.
Fuels & Fuel Sources	Conservative Sunni Theocracy takes over House of Saud, Middle East oil goes to \$40 per barrel (in today's dollars) but supplies are stable; balance of regional power prevents any reaction to price hike from consuming nations; high incentives to achieve energy independence for national security.
US Policy	Relatively high degree of government intervention in economic sphere; particularly strong industrial policy in defense matters; somewhat more liberal tort environment but not central issue; unemployment mitigated by rising defense expenditures; fairly permissive anti-trust regulations, activist government support for troubled US and North American companies; very high barriers to entry/exit ; entry barriers related to high tariffs, non-tariff barriers, and high cost of capital; high government spending, focused on defense sector; government debt and deficit both rising following relatively austere fiscal period; increase in regulations related to

<div>Scenarios</div> <div>Drivers</div>	Regional Tensions
	regional/international trade and commerce; higher humanitarian assistance which is pragmatic and directed toward Latin America to woo into North American sphere of influence.
Corporate Structure and Operations	Corporate structure deglobalized and now regionalized; high geographical consolidation with lots of corporate failures; very limited technological proliferation, very strong government controls on military and technology exports, but some seepage nonetheless; offset agreements the exception and determined by type of product and host country relationship to seller; business alliances are limited overall but critical to inter-regional commerce; pronounced trend to regional ownership structures; shortages of skilled labor especially for defense-related industries; technical labor costs very high, intensive training required to upgrade skill base; government support for defense related training and education.
Environment	High pollution globally, some regions better than others; not generally seen as social priority; pollution as “weapon”; pollution regulations as a non-tariff barrier.
Public Health	Public health and potential public health problems are consistently worrisome across globe; unified public health standards in Europe, uneven elsewhere; communicable diseases successfully managed at regional level; crumbling US and European sewer and water infrastructure heightening health risks.
Public Attitude to Technology	Attitude is positive and re-enforced by government propaganda; “Superior” technology is developed in North America; national security-related technology race between regions.
Education	Public funding based on national security needs; funding high but competes with other social requirements; targeted spending on science and technology; for universities, far fewer foreign students (situation very tough on private colleges); US higher education not necessarily the best and funding is constant problem, private university closures; academia might be key forum for global conferences; little technological innovation, stuck at 2005 level; classic educational paradigm; global harmonization of education in decline.
Geographic (Living) Dispersion	As offshore manufacturing returns home, government provides incentives to revitalize economic hardship zones; knowledge workers able to telecommute.
Communications and Information Technology	Communication tends to be regionally organized; global communications has extensive barriers; technology development is often a spin-off of military needs; global system in place in 2005 is still there (maybe not well maintained) and there may be private nets developing; slow divergence of standards and protocols between regions.
Production Cost Performance	Economies of scale limited by regional structures, making regional-based manufacturing more expensive; many raw

<div>Scenarios</div> <div>Drivers</div>	Regional Tensions
	<p>materials and components outsourced out of US in earlier years are difficult and costly to obtain; some cost issues tolerated due to high defense need; barriers to entry/exit are moderate to high; governments are biggest buyers of aeronautics products and services; subsidies to airlines for Civil Reserve Air Fleet; governments are committed to keeping airlines in business; very high emphasis on dual-use components and products; global business cycles not synchronized.</p>
Technology development and Application	<p>Government industrial policy focused on national security applications; core competencies vary across regions and focus on legacy industry base and local raw materials (new technologies developed to make best of local materials); government R&D is everywhere - it is both R and D.</p>
Time Poverty Leisure Time, Entertainment	<p>Some time poverty for people working two jobs in lethargic economies (different from region-to-region); pronounced local and regional orientation to entertainment and leisure activities; classic pattern of work and leisure; some tendency to use entertainment for propaganda activity; global competition played out in art and entertainment fields.</p>
Global Transportation Infrastructure	<p>Infrastructure supports national security mandates; regional infrastructure predominates while inter-regional standards diverge; some deterioration owing to lack of maintenance of infrastructure not critical to national security.</p>
Safety and Security	<p>Security that is important is national security; safety is regional responsibility; harmonization in global standards are declining.</p>
Access to space	<p>Leading-edge space capability is central to national security concerns; space assets to support economic competitiveness protected by regional space defense forces.</p>